

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6756**

**BILL NUMBER:** HB 1119

**NOTE PREPARED:** Feb 27, 2008

**BILL AMENDED:** Feb 26, 2008

**SUBJECT:** Public Safety Retiree Reemployment.

**FIRST AUTHOR:** Rep. Austin

**FIRST SPONSOR:** Sen. Weatherwax

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill:

- (1) removes the \$35,000 salary exemption for retired members of the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF) who are reemployed in a covered position;
- (2) allows an appointing authority to grant a leave of absence to a police officer or firefighter for service in an elected office;
- (3) establishes certain rights concerning retirement or pension funds, salaries, promotions, and seniority for a police officer or firefighter who is on a leave of absence;
- (4) requires a police officer or firefighter who is an officeholder to pay the assessment or contribution to the officeholder's pension fund for the period of the leave in order to receive service credit for the leave;
- (5) authorizes the officeholder's employer to pay all or a part of the assessment or contribution for the officeholder;
- (6) allows a retired member of the 1925 Police Pension Fund (1925 Fund), the 1937 Firefighters' Pension Fund (1937 Fund), the 1953 Police Pension Fund (1953 Fund), or the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) to: (A) be rehired, not less than 30 days after retirement, by the same unit that employed the member as a police officer or firefighter for a position other than that of a full-time, fully paid police officer or firefighter; and (B) continue to receive a retirement benefit from the 1925 Fund, 1937 Fund, 1953 Fund, or 1977 Fund; and
- (7) allows the reemployment provision to be implemented unless the local board (for the 1925, 1937, and 1953 Funds) or the PERF Board (for the 1977 Fund) receives from the Internal Revenue Service a determination that prohibits the implementation.

**Effective Date:** July 1, 2008.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) (1) Removing the \$35,000 salary exemption means recipients would have their benefits continue while reemployed whereas they would have had their benefits stop under current statute. While there will be a fiscal impact, any impact is expected to be relatively minor for both PERF and TRF and will depend upon the demographics of the group.

(2) Providing that the leave does not diminish the officeholder's retirement or pension fund rights or advancement on the officeholder's department salary schedule will have an indeterminable impact on the respective funds and will depend upon the number of such cases, the salary involved, and the numbers of years in the respective pension fund.

(Revised) (3) Any impact of establishing certain rights concerning retirement or pension funds, salaries, promotions, and seniority for a police officer or firefighter who is on a leave of absence will depend upon the particulars of each individual case and is indeterminable.

(4) Requiring an officeholder to pay the assessment or contribution to the officeholder's pension fund for the period of the leave in order to receive service credit in the fund and (5) authorizing the officeholder's employer to pay all or a part of the assessment or contribution for the officeholder will have an indeterminable impact and will depend upon whether the officeholder currently contributes toward his pension. In some jurisdictions, the employer already picks up both the employee and the employer share.

(Revised) (6) Currently, retired members of the affected funds are precluded from returning to work at the same employer from which they retired, based on the Internal Revenue Service (IRS) "separation of service concept" which means a real retirement must occur. Allowing a retired member to return to work with the same employer and continue to receive a retirement benefit from the fund from which they retired will continue the benefit cost to the affected fund that otherwise would have terminated. The impact will depend upon the number of retired members who avail themselves of this provision, their annual benefit, and if the appropriate board receives from the IRS a ruling or determination that prohibits the implementation.

**Background Information:** In CY 2006, the 1925 Fund, the 1937 Fund, and the 1953 Fund had a total of 8,750 retired members with an average annual benefit of \$21,200. The 1977 Fund had 2,127 retired members with an average annual benefit of \$18,200.

**Explanation of Local Revenues:**

**State Agencies Affected:** Public Employees' Retirement Fund as administrators of the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

**Local Agencies Affected:** Units with members in the various funds.

**Information Sources:** 2006 *Indiana Pension Handbook*, pages 152 and 172.

**Fiscal Analyst:** James Sperlik, 317-232-9866.